

# STATEMENT OF THE HONORABLE JOHN M. McHUGH

## Committee on Oversight and Government Reform

I thank the Chairman for convening today's hearing and welcome the opportunity to share my thoughts about what needs to be done to restore financial stability to the Postal Service. Suffice it to say that the situation is dire and deteriorating rapidly. What I do want to take the time to outline is an important legislative solution that I am hopeful will be considered by this Subcommittee this Spring – a measure that already has a majority of the Subcommittee Members as cosponsors.

As a Member who has closely followed postal legislative issues for more than 14 years, we must consider the legislation requested by the Postal Service: H.R. 22, a bipartisan bill with over 200 cosponsors that would provide immediate financial relief to the Postal Service by allowing it to refinance its retirees' health benefits payment. This legislation is strongly supported by the Postal Service, all of its unions and management associations, and the entire \$900 billion mailing industry, which employs nine million Americans.

As the Postmaster General will testify today, the Service faces a crisis of huge and historic proportions, despite extensive efforts to reduce costs. This situation is due to the precipitous decline in mail volume brought about by the deepening recession and the economic condition of the agency's largest customer, the financial services industry.

Additionally, the Postal Service is laboring under a crippling cost burden imposed by a statutory requirement that the Postal Service prefund the health benefits of future retirees, while still continuing to pay annual premiums for its current retirees. The payment for current retirees totals about \$2 billion and is growing each year. At the same time, the annual mandated prefunding ranges from \$5.4 billion to \$5.8 billion over the ten-year period from 2007 through 2016.

In 2008, the Postal Service's total retirees' health benefits costs came to \$7.4 billion – \$1.8 billion paid for current retirees and \$5.6 billion deposited into the Postal Service Retiree Health

Benefits Fund to prefund future premium payments. Without the mandated payments, the Postal Service would have achieved a positive net income in 2008 – rather than its actual \$2.8 billion loss. No other entity – public or private – is required to prepay this health benefit obligation at these extremely high levels.

To address this serious situation, H.R. 22 would simply accelerate by seven years a provision in the law to pay the health premiums for current retirees from the Postal Service Retiree Health Benefits Fund, which already holds in excess of \$32 billion and will continue to grow. H.R. 22 would not require an appropriation or use of any taxpayer monies, but rather involves merely an intra governmental transfer of funds. It would not increase the health benefit premiums paid by current or future Postal Service retirees, nor would it affect their benefits. Moreover, the mandated ten year prefunding of retiree benefits would remain in place, at which time the obligation will be reamortized, so there will always be more going into the Health Fund than going out.

Congress must act quickly to enact H.R. 22 in order to prevent the loss of thousands of jobs in the Postal Service and the American mailing industry. I look forward to today's hearing on the challenges and possible solutions in addition to H.R. 22. Thank you.